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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

EXCLUSIVE

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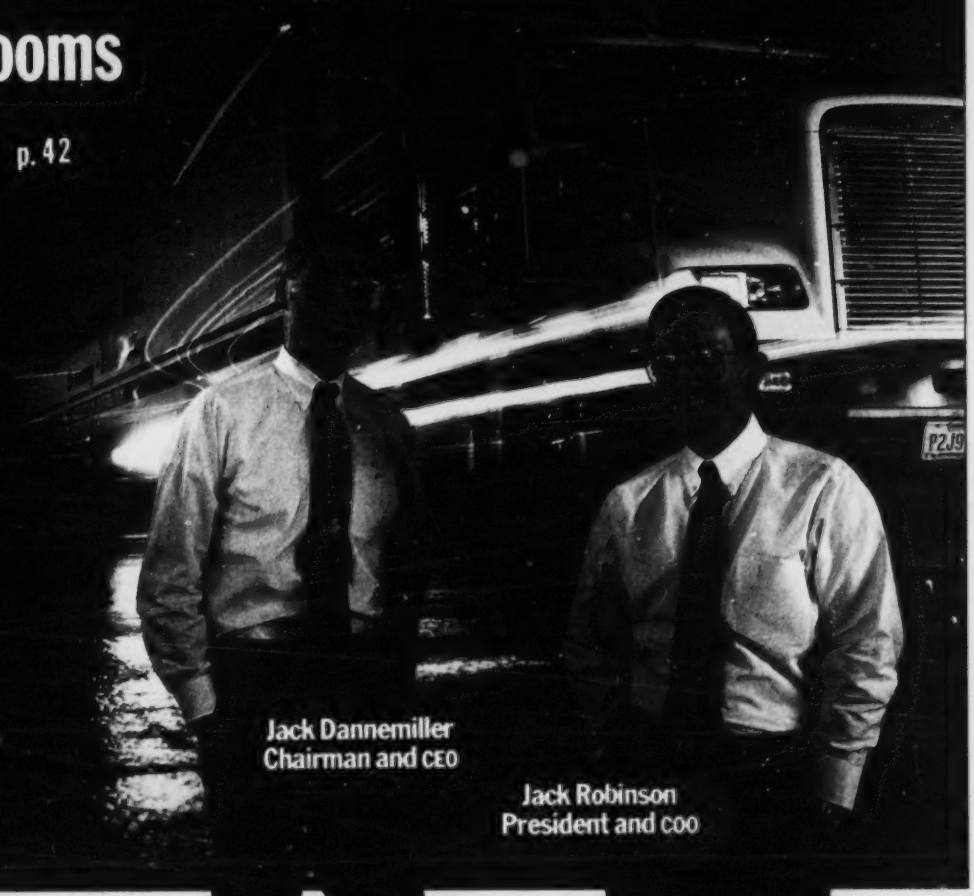
Bearings, Inc. extends its reach PAGE 36

Northeast outlook: Slight growth ahead p. 32

Five showrooms that work p. 42



Jack Dannemiller
Chairman and CEO

Jack Robinson
President and COO

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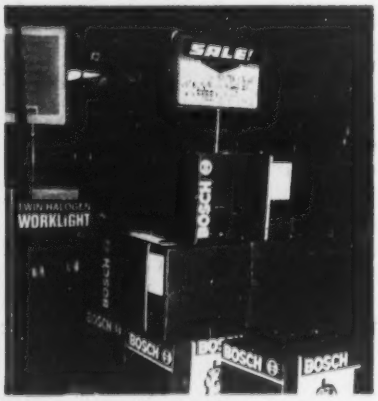

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supplies. J&L will have five branches.

Kennametal Full Service Supply, headquartered in Raleigh, N.C. and operating 35 branches nationwide, will be responsible for just-in-time buying, inventorying and delivering all items used by a customer in predefined commodity categories. These categories are said to include all cutting tools and abrasives, regardless of whether or not Kennametal represents a given brand in other aspects of its business.

Essentially, Kennemetal's Full Service Supply represents what remains of Garrett after the elimination of power transmission, electronic, fluid power, materials handling, fastener, and PVF inventories.

Metalworking Systems Div. is now the name under which Kennametal's direct sales efforts are conducted. This division is said to employ over 300 technical sales reps, and to have 14 stocking facilities nationwide to provide 24-hour delivery of most products.

Alan G. Ringler, vice president and director, North American Metalworking, projects that in fiscal year '93, 70% of Kennametal sales will come from the direct sales force. He also reports that "cornerstone suppliers" of industrial supply products include 3M, Cincinnati Milacron, Precision Twist Drill, Regal Beloit, Carr Lane Starrett, Mitutoyo, Osborn, and privately labeled tools from SGS. ID

WHERE HAS GARRETT GONE?

Projected sales volume: $70 million

Although Kennametal has retained nearly 85% of Garrett Industrial, 42% of that business now goes through direct/mail order channels.

DISC to sell IBM'S RS/6000 machines

FARMINGTON, CONN.—In response to customer demands for turnkey convenience, and to assure that software updates get smoothly integrated into hardware advances, DISC, a longtime supplier of distribution management systems, has begun selling IBM RISC System 6000 computers.

"For 20 years we've opposed selling hardware," says John D. Pearse, DISC president. "But the emergence of open systems almost dictates that software people get into hardware. Also, we can now add serious value that we couldn't get paid for previously."

Pearse also reports that the DISC/IBM agreement calls for IBM to custom-assemble all machines. "IBM delivers within a couple of weeks," he explains, "so there's no need for us to stock units at this time. Customers like the arrangement because the all-IBM box means local system and repair support."

DISC's status as an industry remarketer formalizes what has been an ongoing relationship. "We've been running our software on the RS/6000 for over two years," Pearse says. And to take advantage of the horsepower that comes standard with the 6000, DISC has upgraded its products. In addition to an Advanced Inventory Management package, the firm now offers Optical Report Storage, an Intelligent Query (IQ) Report Writer and AIX versions of *Lotus 1-2-3* and *WordPerfect*.

An additional benefit of the partnership, according to Pearse, is that existing DISC customers will be able to upgrade to an integrated hardware system over a weekend—it's that quick. "We've never left a customer behind," Pearse explains. "And we've never migrated to a new system without ensuring that our existing users could come with us." ID

Conbraco wins ISO Kudos

MATTHEWS, N.C.—Is the Baldrige Award next? The folks at Conbraco Industries, Inc., in Matthews, N.C., would like to think so. But for now the firm is savoring the fact that it recently became the first major United States-owned valve and flow control product manufacturer to earn ISO 9001 certification.

"We're looking at other kinds of standards we can use, and the Baldrige is one of them," says Dave Sowers, Conbraco's director of quality assurance. "I don't think it's out of the picture."

The ISO 9000 Series is a set of five individual standards relating to quality management and quality assurance. ISO 9001 is the most demanding subset to achieve, as it covers design, manufacturing, installation, and servicing systems. ISO certification is frequently required to compete in European markets as well as Great Britain, Canada and Australia.

"Its impact is in marketing mostly," says Sowers. "It can really open some doors. Plus, it has improved our process, and it means that our customers will be assured that our quality standards and procedures are at the highest level possible."

All five of Conbraco's manufacturing facilities received certification as a result of the quality program that began 18 months ago. The company employs 1,400 workers and has annual sales of $130 million. ID

Sales calls expensive but still effective

NEWTON, MASS.—Are your salespeople worth their weight in gold? With the cost of a sales call continually on the rise, you should consider that question carefully.

According to Cahners Advertising Research Report published by Cahners Economics, the industry average for a sales call in the United States is $292. That's a considerable jump, up 12.7% from 1989's figure of $259.

See Sales calls p. 12

Industry from p. 10

ing it easier for businesses to compete. "Our concerns relative to manufacturing are in the business climate," he said. "We're concerned about trade agreements and tariffs, and about tax ramifications. We're not in favor of increasing the tax rate for business. Everyone is waiting to see what happens with the recent disability act. These are issues that could make or break an organization's ability to compete in the global market."

Health care is a concern of almost everyone, but it's an issue that doesn't seem to have a clear cut solution. Some distributors support a national health system. Others feel that although a national program is needed, the government should not be the sponsor of such a venture.

The issue of taxes is another touchy subject. "It's not a good time to lower taxes, but we should be looking in that area," said Bill Lanigan, president of Chamberlin Rubber Co., Inc., in Rochester, N.Y.

On the other side of the fence is Kevin Boyle, manager of industrial distribution for Loctite Corp., Newington., Conn. Among Boyle's top concerns are economic solutions to reduce the deficit, and "taxation that nobody wants, but that we know we need," in order to continue providing key government funding. Boyle also feels that a return to family values is important, and that the Church and State must remain separate. "Women should have the right to choose," Boyle said. "The Church and State have to mind their own business."

Among the other issues are restoring credibility and respect to the White House. "The issue seems to be the credibility of the candidates more than anything else, and that's clouding the real issues," said Jim Lindstrom, director of marketing for Lyon Metal Products, Inc., Aurora, Ill. "People are concerned about the promises being made by the candidates, and the reality of what happens after."

Perhaps Bermann hit the nail on the head when he said the long term, strategic issue most important to him is fixing the political system "so that we don't get two candidates, each of whom is unacceptable. We need to change the process so that we don't go into the voting booth and wonder where the 'None of the Above' lever is." ID

Sales calls from p. 11

The report states that the South is the most costly region, with 1992 expenses related to sales calls totalling $330.46 per call, a 19% increase. Expenses jumped 21% in the Northeast, where the average sales call costs $307.53. The Midwest ($261.65) and West ($263.22) both came in below the industry average, with costs dropping 5% in the West.

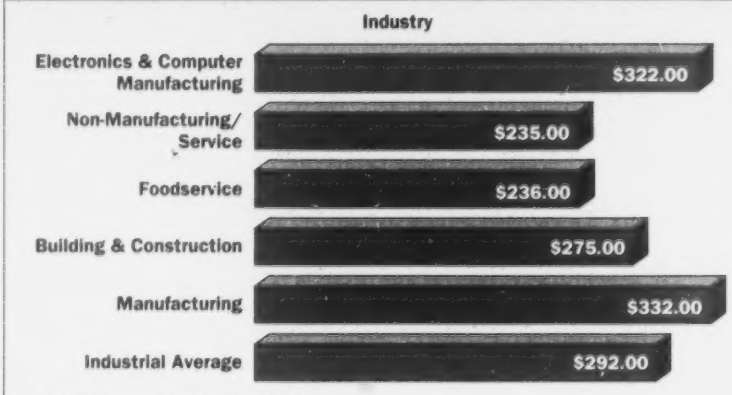
The average sales call was most expensive in the manufacturing sector, at $332 per call. At $275, the building and construction industry was comparably low.

Jeff Black, president and treasurer of Black & Co. in Decatur, Ill., says, "That wouldn't surprise me. We monitor all our salespeople and the costs are radically high."

However, Black notes, the cost of an outside sales call is apparently worth it. "From what we've found, there's nothing that achieves better results at less cost. Telemarketing and direct mail just don't deliver the same results that human contact does," he says. "We've done some direct mail and received very low response rates. When you compute those returns versus the return on an average sales call, the outside call is still more cost efficient—despite the outrageous cost."

The survey considered a host of expenditures, including salary, benefits and commission of the direct sales staff, as well as travel expenses and the cost of promotional materials and samples taken on each individual sales call. ID

AVERAGE COST OF A PERSONAL SALES CALL



Source: CARR Reports. Cahners Publishing Co.

SEDA focuses on I.D.A. venture

Richard Harper, newly elected SEDA president, addresses convention in Maui.

MAUI — The Safety Equipment Distributors Assn. (SEDA) is looking to form a "strategic alliance" with the Industrial Distribution Assn. (I.D.A.), according to SEDA executives.

"We're not necessarily talking about merging, but working together as part of an alliance," David Crannell, outgoing president of SEDA, said at the association's recent annual convention in Maui.

I.D.A. and SEDA have been talking about joining forces for some time. Some SEDA members said they would like I.D.A. to serve as an "umbrella group." In this way, SEDA would be a sub-section of I.D.A. Members would be allowed to attend the various conventions and take advantage of the many programs that I.D.A. offers. At the same time SEDA could also have its own annual convention.

Such a move, officials say, would benefit both associations. I.D.A. said it would welcome SEDA members to

See SEDA p. 15

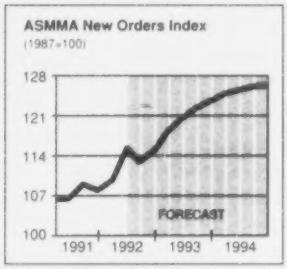
By Susan E. Farris

Prices and leadtimes remain low

Rises will occur in 1993, and they will be modest.

Leadtimes, the length of time it takes between ordering an item and its arrival, are a good indication of the supply and demand conditions. Leadtimes typically begin to stretch at the start of an economic recovery.

For eleven of the past twelve months, Cahners' Leadtime Index of 125 Industrial Materials has been lower than previous year levels. In August, year-to-date leadtimes are averaged 6% shorter than in the corresponding period in 1991. While the manufacturing slowdown shrank leadtimes drastically in 1991, economic stagnation has caused a further drop in leads in 1992. As a result, expect leadtimes to come in 3.6% lower this year.



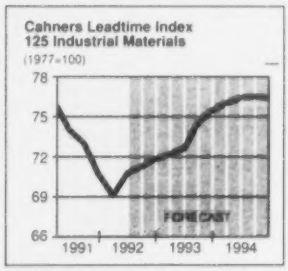
Data source: ASMMA
Forecast source: Cahners Economics

Data source: Cahners Economics
Forecast source: Cahners Economics

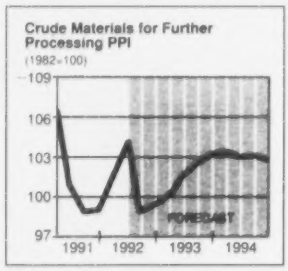
In 1993 the economic expansion will have gained some momentum, causing demand for materials to creep up and operating rates to approach full capacity. Nevertheless, only a modest expansion is expected for 1993, so leads should grow just 4.2% for the year, reverting back to their 1991 levels. Leadtimes tend to lag an economic recovery by approximately three months, which means they will continue to lengthen into early 1994, increasing by 3.5% on average.

The current economic sluggishness has also caused producer price inflation to slow. Capacity utilization rates are still fairly low and demand is modest, leaving producers with little power to put through price increases. The producer price index (PPI) for crude materials through the first half of the year has declined by an annual rate of 1.6%, and the PPI for intermediate goods has fallen by 1.4%. The outcome is that price inflation for finished goods has increased by just 1.5% in the first half of 1992. The forecast calls for prices to continue slowing, growing a mere 1.3% this year. Inflation is expected to reach 3.6% in 1993 and 2.3% in 1994.

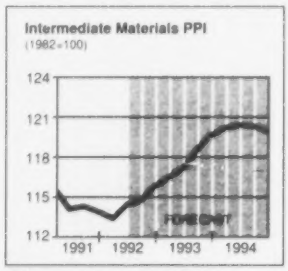
Low inflation increases the cost of holding assets, pushing up inventory carrying costs. However, with interest rates at record lows the net effect will be a 9.4% plunge in inventory carrying costs this year. Slow inflation also raises the real cost of debt, which will in turn discourage consumers from accruing additional debt, inhibiting spending. A low inflation rate will result in a modest economic recovery.



Data source: *Purchasing* Magazine/Cahners Econ.
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics



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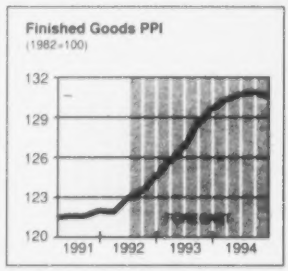
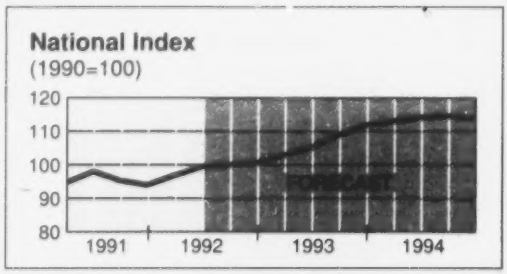


Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	July 1992	June 1992	July '92 vs. July '91 % change
TOTAL	94.1	102.2	−1.5
EAST	89.0	98.1	−6.0
SOUTH	97.7	107.7	+0.5
CENTRAL	96.4	102.1	+1.3
WEST	89.7	98.6	−4.6



SOURCE: Industrial Distribution Assn.